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The President's Daily Brief

November 2, 1974

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~~*Top Secret*~~ 25X1

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ARAB STATES

The annual "war fund" of $2.35 billion established at the Rabat summit for Egypt, Syria, Jordan, and the Palestine Liberation Organization largely formalizes financial backing for them for the next four years.

Aid will be divided between cash, which will be made available immediately, and project aid. The latter will be provided under a system that will define the extent of donor control over expenditure of aid.

The $1 billion to be provided each year to Egypt approximates the annual payments made to Cairo by oil-producing Arab states in recent years. The Rabat agreement, however, provides in one package the long-term financial security that Egypt had been seeking since the October war. 1.0

The new subsidy will assure a minimum level of essential civilian imports. The extent to which it will permit accelerated economic growth will depend on the allocation of project aid between military and economic undertakings. The availability of this assistance to Cairo could prompt Moscow to press more strongly for Egypt's repayment of part of its debt for military purchases now totaling $1.3 billion.

Syria also is to receive $1 billion annually, an amount that about equals Arab assistance during the past year. If the USSR continues to sell Damascus arms on credit, Syria can channel a sizable portion of the new Arab commitment to economic projects and thus further assist the country's gradually improving financial situation. 1.0

While the allocations to Egypt and Syria continue past levels of Arab aid to those countries, the sum set aside for Jordan is a substantial increase. The $300 million to be provided annually is 40 percent more than the Arab states provided Amman last year. 0.3

The Rabat conference allocated $50 million to the PLO in recognition of its new status as a confrontation state. The PLO is not lacking for funds, but it spends lavishly on its leaders. 0.05

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JORDAN

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EGYPT

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[redacted] naval officers have seen Egyptian military equipment moving into the vicinity of Ismailia in the northern sector of the Suez Canal over the past three days. This may represent a buildup of Egyptian forces in anticipation of hostilities or it may be related to extensive exercise activity that has been under way in Egypt for over a week. At this time, however, neither Egypt's intention nor the scale of these force movements is clear.

Yesterday, US naval officers saw as many as 80 tanks, most of them covered with camouflage netting, on the outskirts of Ismailia, the first time they had seen tanks there in six months.

On Wednesday and Thursday, at least one and perhaps two convoys of 40 vehicles, most pulling artillery, were seen on separate occasions on the road from Cairo to Ismailia.

US military and embassy personnel in Egypt have also reported tightened nighttime security measures between Cairo and Ismailia. US personnel are stopped at each control point, and sometimes have been denied permission to travel in the area at night.

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USSR

Soviet domestic media are making a concerted effort to assure the public that the results of the US elections will not cast a shadow over US-Soviet relations.

Soviet commentators, aware of predictions that the Democratic Party will register substantial gains, are reporting that the campaign is dominated by economic problems and that foreign policy issues, particularly those relating to detente, are of minor importance. They are also pointing out that off-year election losses by the party in the White House are typical in US politics.

The Soviets are coupling their discussion of US politics with a buildup of the forthcoming summit near Vladivostok. A Tass item in Thursday's Pravda reported your statement at a press conference that Secretary Kissinger had had "very constructive" talks with Brezhnev. Tass also reported that, in referring to the Vladivostok summit, you said the US hopes each step will mean further progress toward an agreement on strategic weapons.

In a broadcast on October 29, Soviet listeners were told that there is "immense American interest" in the news of the summit and "increasing support" for detente by the US public.

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UNITED KINGDOM

The British government is completing its defense review and plans to begin consultations with Washington, Bonn, and eventually NATO after appropriate cabinet committees make their decisions on Monday.

British officials anticipate that talks could begin in Washington by mid-November. The British delegation probably will be led by Sir John Hunt, British cabinet secretary.

The British expect that the discussions with NATO, to be held after the consultations with the US and West Germany, will last two to three months. Some reductions in the British Army on the Rhine are likely.

A Ministry of Defense official has commented to the US embassy that the defense review is "not coming out too badly." The defense staff has been advocating defense cuts of around $1 billion. If such cuts are spaced over a period of years, they are expected to have only a minimal effect on force effectiveness and procurement programs.

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SOUTH VIETNAM

Saigon was quiet during National Day celebrations yesterday. Catholic dissidents postponed a planned march on the presidential palace, while Buddhist leaders celebrated with speeches and seminars in their pagodas. The Buddhists called for continued street demonstrations and for the President's resignation. Small demonstrations were conducted in some northern province towns.

President Thieu, in his National Day address, blamed much of the recent agitation on the communists and accused protest groups of actively supporting them. He claimed the actions of the protesters would only encourage the enemy to step up the fighting.

Alluding to next year's presidential election, Thieu said it was not important who was president, but he maintained that the country must remain in the hands of nationalist elements who would fight the communists. Although some Western press accounts have interpreted his remarks to mean that he is considering resignation, Thieu has used this ploy in the past to show that his interest is the country's welfare rather than his own.

Thieu coupled his speech with a government press release quoting your recent letter affirming continuing US support for South Vietnam. Thieu no doubt hopes the letter will help lessen concern that the US intends eventually to abandon South Vietnam. He also hopes the letter will serve to reinforce his claims that he retains the full confidence of the US and that it will help dispel rumors of secret US support for the dissidents.

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